Yinson Holdings (YNS MK)

2QFY26 Review Addendum - Rationalising Expectations

	BUY (Maintained)
Share Price	RM2.41
Target Price	RM3.15
Upside	+30.7%

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Highlights

- **New and surprising information from Yinson Production (YP)'s 2QFY26 Enterprise Reporting (ER) accounts.** A key update was the degree of increase in financing costs, as the group is increasingly reliant on corporate bonds to fund projects and safeguard its execution track record.
- **Appreciating and bridging the gap between ER and IFRS information will take a long time,** as long as the timing of the ER disclosure from the FPSO subsidiary does not fall earlier or at the same time as the group's results release. On the other hand, privatisation rumours have resurfaced. Back in Jun 25, privatisation rumours had pushed the share price closer to RM2.75-RM3.11.
- **Value unlocking supports our unchanged BUY valuation, with a target price of RM3.15.** We expect the group to be focused on the execution phase with over US$19b in FPSO orderbook, while selectively replenishing FPSO contracts and refocusing on high quality non-O&G business, to unlock value trap.

Yinson Production (YP) 2QFY26 Results, Presented as IFRS and ER formats

Year to 31 Jan	---------- IFRS ----------		---------- ER ----------		Comments
(US$m)	2QFY26	2QFY25	2QFY26	2QFY25	*For comparison*
Revenue	**319**	**442**	**261**	**122**	ER revenue includes US$71m progress milestone
EBIT	**164**	**157**	**145**	**50**	1HFY26 ER EBITDA: US$380m (+104% yoy)
EBIT margin (%)	51.4%	*35.5%*	55.5%	41.0%	Adjusted ER EBITDA: US$252m (+55% yoy)
Finance costs	(115)	(86)	(102	(38)	Include bond costs for Anna Nery (AN) and MQ
Associates	14	2	<1	<1	ER assumes AN as proportionally consolidated
Pre-tax profit	75	77	46	16	Non-O&G loss,1HFY26::RM220m
Reported profit	**61**	**45**	**37**	**5**	Recalculated ER PAT: RM178m

**Note: Enterprise Reporting (ER). Effective FY25, YP adopted ER as a as a complementary disclosure to the statutory IFRS reporting. Under ER, YP adopted operating lease method and apply proportional consolidation based on YP's share in assets*
Source: Yinson, YP. UOB Kay Hian

Analysis

- **Surprise information…** YP published its financials for its bondholders in end-Sep 25 a few days after the group holdings' accounts, this contains a complete accounts disclosure on ER basis (only available for FPSO division). For 2QFY26/1HFY26, YP recorded US$61m/US$101m in IFRS profit. Using this information, we estimate the non-FPSO segments' 1HFY26 finance costs and loss may likely come in at RM94m/RM220m. If we sum up the non-FPSO financials with YP's ER accounts, we estimate YNS' 1HFY26 core profit at RM178m (which meets 23% of our FY26F forecast).

Key Financials

Year to 31 Jan (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	11,646	7,605	3,450	4,602	5,109
EBITDA	1,613	2,052	2,791	3,714	3,853
Operating profit	1,270	1,675	2,411	3,331	3,435
Net profit (rep./act.)	964	752	749	938	1,078
Net profit (adj.)	623	510	749	938	1,078
EPS	18.2	14.9	21.9	27.4	31.5
PE	13.5	16.5	11.2	9.0	7.8
P/B	1.5	1.6	1.5	1.3	1.2
EV/EBITDA	10.4	8.0	7.5	6.1	6.4
Dividend yield	1.2	1.2	2.0	2.0	2.0
Net margin	8.3	9.9	21.7	20.4	21.1
Net debt/(cash) to equity	183.0	188.2	237.3	237.1	237.6
Interest cover	1.7	1.2	2.0	2.0	2.1
ROE	16.8	13.2	12.7	15.1	16.3
Consensus net profit	-	-	637	841	911
UOBKH/Consensus (x)	-	-	1.17	1.11	1.18

** Past financials are based on IFRS FL; core profits excluded FL construction effects*
Source: Yinson, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	**Energy**
Bloomberg ticker	YNS MK
Shares issued (m)	3,220
Market cap (RMm)	7,754.0
Market cap (US$m)	1,600
3-mth avg daily t'over (US$m)	2.1

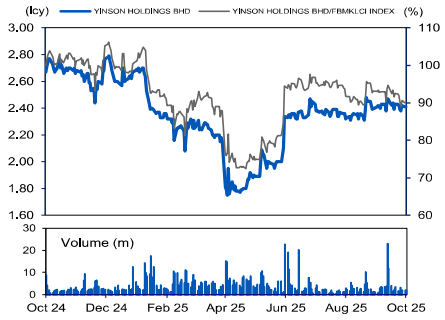
Price Performance (%)

52-week high/low				**RM2.82/RM1.73**
1mth	**3mth**	**6mth**	**1yr**	**YTD**
2.0	(0.8)	11.6	(9.1)	(9.5)

Major Shareholders **%**

Yinson Legacy	16.6
EPF	17.1

Price Chart



Source: Bloomberg

Company Description

One of the largest global Floating, Production, Storage and Offloading (FPSO) operators. It has Engineering, Construction, Procurement, Installation and Commissioning (EPCIC) capabilities, and may record EPCIC income under Finance Lease (FL) method, as dictated by the International Financial Accounting Standards (IFRS). It also holds an associate stake in Offshore Support Vessels (OSV)

Lately its FPSO subsidiary Yinson Production (YP), begun adopting Enterprise Reporting (ER), as a complementary disclosure to the statutory IFRS reporting. Under ER,, YP adopted operating lease method and apply proportional consolidation based on YP's share in assets.

- **…including ER<IFRS perception, upfront milestone payments, and financing costs.** Unlike 1QFY26, 2QFY26 ER profit was weaker vs IFRS profit. We understand the 2QFY26 EPCIC contribution was unusually high due to the FPSO Agogo's progress completion. Also, while we were aware of one-off accelerated financing costs for FPSO MQ in Jul 25, the big overall finance expense changes qoq from US$57m to US$102m in 2QFY26 on the ER format were not expected (1HFY26: US$159m, +134% yoy).
- YP also quantified a 1HFY26 ER EBITDA of US$128m (2QFY26: US$71m) related to upfront milestone payments for FPSO Agogo. Hence, we now believe that any earnings upside due to Agogo's outperformance on the stock valuation will be moderated, given that YNS already benefited from it substantially in past quarters.
- **Outstanding punchlist items, in our view:** a) a potential final review of Yinson Greentech (a non-FPSO division), which implies possible impairment exercises in 2HFY26; b) pending receipt of the final acceptance of FPSO Agogo (target: Nov 25), which received the Provisional Operational Readiness Certificate (PORC) on 12 Aug 25; and c) more guidance on finance costs, which continued to surge beyond our expectations.

Valuation/Recommendation

- **Maintain BUY, with an SOTP-based target price at RM3.15.** This implies 14x FY26F PE, or 10x long-term PE once FPSO Agogo contributes to earnings fully by FY28.

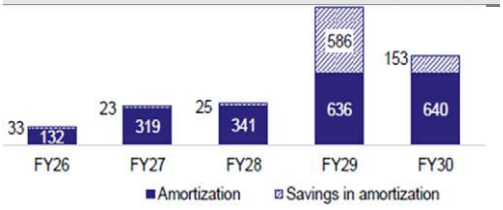
Earnings Revision/Risk

- **We still retain our forecasts that conservatively factor in two months of Agogo's income for FY26.** Firstly, we prefer to update our forecasts after all key punchlists are reviewed. Secondly, even though FPSO Agogo achieved first oil on 28 Jul 25, and commenced its 15-year charter after receiving PORC on 12 Aug 2025, we assume that Agogo is not yet at full charter at this stage. We understand that the timeframe to receive Final Acceptance is by Nov 25.
- **Having said, unexpected earnings risks will take centre stage, if they materialise.** In our view, there is no more reason to refinance project loans to bonds or incur a huge new borrowing at this juncture, as the group transitions from a heavy capex phase to an execution phase, and completes refinancing key projects into corporate bonds.

Share Price Catalyst

- **Potential uplift to a RM3.45 target price, purely on existing assets.** We have not taken into account FPSO AJ's new firm expiry of 2034, and FPSO Helang's extension (which, similar to FPSO AJ, may see firm expiry at 2038). Yinson is bidding for more FPSO jobs and would ideally secure one project at a time. This would be more sustainable growth given that YNS's debt remains high at RM17.5b.

YP's Debt Amortisation Schedule (US$M)



Source: YNS

Other findings in YP ER accounts

Finance costs – on 2QFY26 and in IFRS format, increased yoy from RM86m to RM115m
However, on ER format, finance costs surged from US$39m to IS$102m yoy

Stella Maris – This carbon capture project is parked under "Others" segment. Coincidentally, the losses for "Others" segment widened, due to "higher overheads cost"

Loans – Generally increased from US$3.1b in FY25 to US$3.5b in 2QFY26, mainly from the US$1.2b bond issuance of FPSO MQ and a term loan drawdown of US$218m to fund project execution. These are partly offset by repayments

**Note: RydEV is no longer part of the group*
Source: YNS

SOTP target price

FY26F	Valuation	RM
FPSO Adoon	DCF (Blended IRR 12%)	0.07
FPSO JAK, firm only	DCF (IRR 14%, 74% stake)	0.71
FPSO Helang, firm	DCF, US$280m capex + US$50m residual value	0.46
FPSO Abigail-Joseph (AJ)	DCF (IRR 25%)	0.34
MOPU	11x PE	0.02
Lam Son	redeployment	0.07
FPSOs Anna Nery and PDB	DCF (IRR 17%, both assume 63-85% stake)	2.76
FPSO Agogo	DCF (IRR 20%, 85% stake from 100%)	1.58
Atlanta, and new FPSOs	Include chance of more contract wins	1.24
(-) Minus net debt	Include all perpetuals	(4.14)
SOTP (diluted)	**RM3.4b shares include warrants conversion**	**3.15**
Implied FY26F PE	-	14.4x
Implied FY28F PE	-	10x

Source: UOBKayHian Estimates

Profit & Loss

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Net turnover	**7,605**	**3,450**	**4,602**	**5,109**
EBITDA	2,052	2,791	3,714	3,853
Deprec. & amort.	377	380	382	419
EBIT	1,675	2,411	3,331	3,435
Total other non-operating income	-	0	0	0
Associate contributions	(21)	84	89	109
Net interest income/(expense)	(1,736)	(1,367)	(1,846)	(1,828)
Pre-tax profit	**1,120**	**1,128**	**1,575**	**1,716**
Tax	(167)	(168)	(251)	(290)
Minorities	(201)	(211)	(386)	(348)
Net profit	**752**	**749**	**938**	**1,078**

Balance Sheet

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Fixed assets	4,421	8,831	9,708	10,548
Other LT assets	16,473	17,073	22,173	24,273
Cash/ST investment	2,679	1,959	2,573	696
Other current assets	899	408	544	604
Total assets	**25,501**	**29,279**	**36,017**	**37,145**
ST debt	1,247	1,818	2,416	2,914
Other current liabilities	1,425	1,224	4,374	4,747
LT debt	14,807	18,049	19,549	19,039
Other LT liabilities	523	163	193	193
Shareholders' equity	7,105	7,547	8,177	8,948
Minority interest	282	366	521	660

Cash Flow

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Operating	**(3016)**	**(2,253)**	**731**	**925**
Pre-tax profit	1,120	1,128	1,575	1,716
Tax	(332)	(168)	(251)	(290)
Deprec. & amort.	377	380	382	419
Associates	21	(84)	(89)	(109)
Working capital changes	(5,116)	(3,509)	(886)	(810)
Other operating cashflows				
Investing	**(486)**	**(782)**	**(500)**	**(500)**
Capex (growth)	(560)	(782)	(500)	(500)
Investments	(41)	0	0	0
Others	115	0	0	0
Financing	**3,336**	**2,315**	**383**	**(2,302)**
Dividend payments	139	171	171	171
Issue of shares	920	0	0	0
Proceeds from borrowings	5,054	1,042	4,100	2,270
Loan repayment	(1,381)	0	4,500	0
Others/interest paid	(1,118)	1,444	155	139
Net cash inflow (outflow)	**(166)**	**(720)**	**614**	**(1877)**
Beginning cash & cash equivalent	**3,063**	**2,679**	**1,959**	**2,573**
Changes due to forex impact	(218)	0	0	0
Ending cash & cash equivalent	**2,679**	**1,959**	**2,573**	**696**

Year to 31 Jan (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	27.0	80.9	80.7	75.4
Pre-tax margin	14.7	32.7	34.2	33.6
Net margin	9.9	21.7	20.4	21.1
ROA	3.7	3.4	3.7	4.1
ROE	13.2	12.7	15.1	16.3
Growth				
Turnover	110.8	(4.4)	27.6	41.6
EBITDA	101.0	173.4	263.7	277.4
Pre-tax profit	56.4	57.5	119.9	139.6
Net profit	87.5	86.8	133.8	168.8
Net profit (adj.)	26.6	85.8	132.7	167.5
EPS	26.6	85.8	132.7	167.5
Leverage				
Debt to total capital	217.3	251.1	252.5	228.5
Debt to equity	226.0	263.3	268.6	245.3
Net debt/(cash) to equity	188.2	237.3	237.1	237.6
Interest cover (x)	1.2	2.0	2.0	2.1

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